

DRAFT

5/26/11

MINUTES

cc: BDC
Steve
Selena
Russ
Christy

**STATE OF NORTH CAROLINA
COUNTY OF HENDERSON**

**BOARD OF COMMISSIONERS
TUESDAY, MAY 24, 2011**

The Henderson County Board of Commissioners met for a special called meeting at 9:30 a.m. in the Commissioners' Meeting Room of the Historic Courthouse on Main Street, Hendersonville.

Those present were: Chairman Michael Edney, Vice-Chairman Tommy Thompson, Commissioner Bill O'Connor, Commissioner Larry Young, Commissioner Charlie Messer, County Manager Steve Wyatt, Attorney Russ Burrell and Clerk to the Board Teresa Wilson.

Also present were: Public Information Officer Christy DeStefano, Engineer Marcus Jones, Internal Auditor Darlene Burgess and Research/Budget Analyst Amy Brantley.

JOINT MEETING OF THE HENDERSON COUNTY BOARD OF COMMISSIONERS, UNC HEALTH CARE SYSTEMS, AND THE PARDEE HOSPITAL BOARD OF TRUSTEES

Those present of the Hospital Corporation Board of Directors: Chair Bill Lapsley, Dr. Peter Goodfield, J. W. Davis, Bill Moyer, Linda D. Y. Sokalski, Larry Freeman, Bill Smith, Peggy Judkins, Jack Summey, Jim Horzitz and Deborah Crowder serving as their clerk.

Those present of UNC Health Care System: President Gary L. Park, CEO Dr. William L. Roper, CFO John Lewis, and Executive Vice President and CFO Chris Ellington

CALL TO ORDER/WELCOME

Chairman Edney called the meeting to order, stated the purpose of the meeting, and welcomed all in attendance. The Board of Commissioners was introduced.

Chair of the Hospital Corporation Board of Trustees Bill Lapsley introduced the Trustees.

Vice-Chairman of the Commission Tommy Thompson reflected on Rule 24 of the Henderson County Board of Commissioners, Duty to Vote, " It is the duty of each member to vote unless excused by majority vote according to law. The Board may excuse members by voting on matters involving their own financial interest or official conduct. A member wishing to be excused from voting shall inform the Chair, who shall take a vote of the remaining members. A member who fails to vote, not having been excused, shall be recorded as voting in the affirmative."

Based on this rule and his personal situation, Mr. Thompson felt obligated to disclose his status on matters with Pardee Hospital. Mr. Thompson's wife is an employee of Pardee Hospital. He also has a financial interest with Park Ridge Hospital in that he and three partners own and lease an office building to two doctors of Park Ridge Hospital. He did not feel there was a conflict but the Chair could excuse Mr. Thompson from voting if he felt it was necessary. Mr. Thompson would not be making any motions.

William Lapsley introduced guests from UNC Health Care System.

PRESENTATION OF PROPOSED MANAGEMENT CONTRACT (INCLUDING DISCUSSION OF POSSIBLE JOINT VENTURE WITH MISSION HOSPITAL

Gary Park, Dr. Bill Roper, Chris Ellington and John Lewis provided information via a power-point presentation of the proposed management contract for Pardee Hospital.

APPROVED:

Mr. Park stated that UNC Health Care Systems believe that the Joint Venture with Mission by Pardee is an important project for Pardee Hospital. Pardee Hospital suffered some loss in market share over the last few years, and in order to survive, market share must remain strong. They have a large volume of Medicaid patients, self-pay patients, and Medicare patients. Medicare reimbursement is expected to go down, self-pay is, at least for UNC, about 5 cents on the dollar, and Medicaid is a challenge. UNC feels the key to the joint venture is that business stay in Henderson County, which depends on the number of physicians from Pardee located at the joint venture site.

Dr. Roper provided history of UNC Health Care Systems. He stated UNC Health Care Systems is a physician led organization and not a mega outside organization trying to tell people what to do. Rather they are collaborating with physician partners in a transparent communication fashion while bringing additional resources and supporting employee positions.

Mr. Ellington shared information in regards to the proposed joint venture of the Mission Pardee Health Campus including the location and design of the building. The analysis of the joint venture still lacks critical information to make a final determination by UNC Health Care Systems. As part of their management contract, UNC Health Care Systems would make sure that there is an agreement that is fair to both parties.

Mr. Lewis concluded the presentation sharing possible benefits through Information Technology available from UNC Health Care System. Mr. Lewis feels that UNC Health Care Systems has very strong strategic planning resources which would add value to Pardee. UNC Health Care Systems aims to provide better service and to be more innovated than anyone else in their community.

Mr. Park stated the management fee will be \$180,000.00. As a public hospital they feel it is their mission to provide services when people seek those out. They are not looking to make money on their management contract. A lot of organizations do a management contract on percentage of revenues and they will not be doing this. UNC Health Care Systems wants every dollar that is saved by Pardee Hospital to be reinvested in the organization. The expected return is \$5 for every \$1 invested.

A copy of the power-point presentation is hereby attached and incorporated as a part of the minutes.

CLOSED SESSION

Commissioner Messer made the motion for the Board to go into closed session as allowed pursuant to NCGS 143-318.11 for the following reasons:

1. Pursuant to N.C. Gen. Stat. § 143-318.11(a)(1), to prevent disclosure of information that is privileged or confidential pursuant to the law of this State of the United States, or not considered a public record within the meaning of Chapter 132 of the General Statutes as allowed by and pursuant to N.C. Gen. Stat. §131E-97.3(c).

All voted in favor and the motion carried.

ADJOURN

Commissioner Thompson made the motion to go out of closed session and adjourn at 12:05 p.m. All voted in favor and the motion carried.

Attest:

Teresa L. Wilson, Clerk to the Board

J. Michael Edney, Chairman

Participants from UNC Health Care

Introduction

Mr. Gary L. Park, President, UNC Hospitals

UNC Health Care Overview

Dr. William L. Roper, CEO, UNC Health Care System

UNC-Pardee Collaboration Opportunities

Mr. John Lewis, CFO, UNC Health Care System

Mr. Chris Ellington, Executive Vice President and CFO, UNC Hospitals

Discussion



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The Pardee logo, featuring a stylized blue cross-like symbol followed by the word "Pardee" in a blue sans-serif font.



The UNC Health Care logo, consisting of the text "UNC HEALTH CARE" in a blue sans-serif font.

**Margaret R. Pardee Memorial Hospital
& UNC Health Care**

Partnering for the future

May 24, 2011

UNC HCS seeks to complement Pardee's already strong regional reputation

UNCHCS appreciates being invited to work with Pardee

We are impressed with what we have learned

Pardee is a highly respected and exceptionally strong community provider in Western NC...

...with a clinically distinguished medical and hospital staff

...that delivers high quality, compassionate care and service that the community and patients value

Topics for discussion

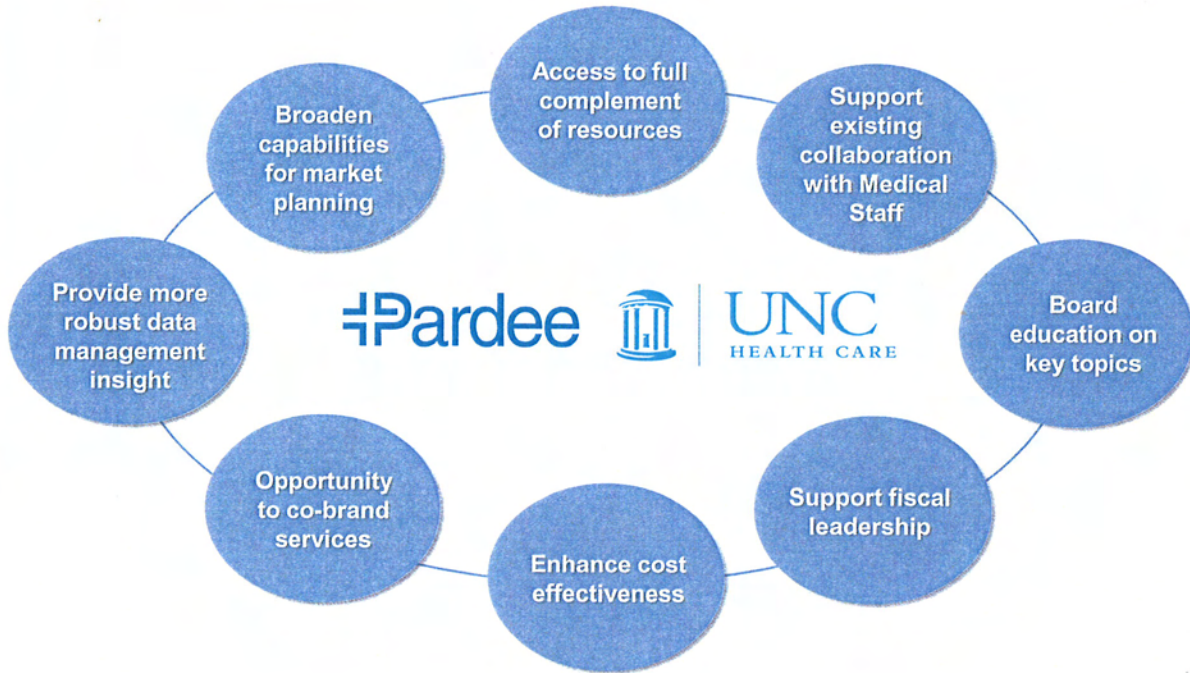
Introduction

UNC HCS seeks to complement Pardee's already strong regional reputation

We are impressed with what we have learned



Pardee is a highly respected and exceptionally strong community provider in Western NC...

UNC HCS proposes to support Pardee's solid foundation with scale and capabilities



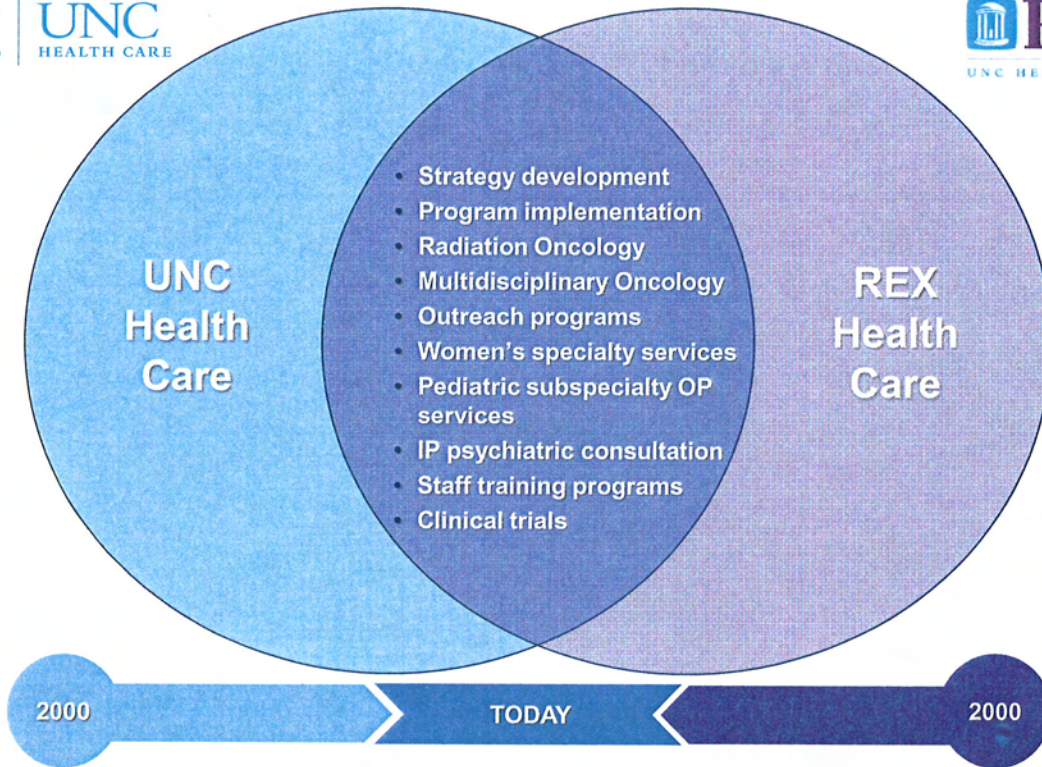
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Pardee and UNC have complementary public missions

<p>Pardee</p>  <p>Vision: The best people providing the best care.</p> <p>Mission: We provide quality, compassionate and safe services that improve the health of the communities we serve.</p>	<p>UNC HEALTH CARE</p>  <p>Vision: To be the Nation's leading public academic health care system. <i>Leading. Teaching. Caring.</i></p> <p>Mission: To provide quality health care for all the people of North Carolina, conduct cutting edge research that impacts the way we treat and care for patients, and to educate the next generation of health professionals.</p>
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UNC HCS: Experience collaborating with partner hospitals in a changing marketplace



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Kaufman Hall reports consolidation in the US healthcare system as an increasing trend

New models of competition	New models of price and quality competition from larger organizations with resources and analytical strengths are evolving.
Economies of scale	Scale and size lead to higher cash flows, and reinvestment to enhance competitive positioning.
Patient volumes	Patient volume is required for improving outcomes and quality, negotiating better terms with payers, and spreading fixed costs over a larger patient base.
New business models	The new business models will force consolidation over the next few years, and competition will be regionalized.
Trend toward realignment	Players are realigning and quickly joining larger systems of care.

UNC Health Care then and now

UNC Health Care – Small Beginnings



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Topics for discussion

UNC Health Care Overview

UNC Health Care remains loyal to our roots

Vision

To be the Nation's Leading Public Academic Health Care System: Leading, Teaching, Caring

- National recognition
- Public mission to care for North Carolinians
- Academic excellence

Guiding principles

Deliver quality care and operate leading programs

Engage with people to meet their health challenges

Maintain a stable financial foundation

Scale matters. It is indispensable to our success.

Negotiating strength

- Fair managed care rates
- Discounted equipment and supply rates

Spreading infrastructure investment across a larger base

- IT infrastructure for data repository and electronic health data exchange
- Extend administrative expertise across entities

Larger populations

- Coordinate care more efficiently
- Expand clinical research

Sharing of management depth and resources

...and fulfilling our mission to serve all North Carolinians

Leading	Teaching UNC School of Medicine	Caring
World-class academic medical center	<i>U.S. News & World Report</i> Ranks <ul style="list-style-type: none"> • Family Medicine #2 • Occupational Health #5 • Physical Therapy #6 • Infectious Disease #9 • Speech Pathology #18 	Three modern hospitals
Nationally recognized centers of clinical excellence		Network of community practices in central North Carolina
#14 nationally in National Institutes of Health funding	90 th percentile – graduates practicing in underserved areas	Home health, hospice, medical equipment, air and ground medical transport
Leader in translational research	85 th percentile – graduates in primary care medicine; number practicing in-state	Faculty physicians outreach statewide
<i>U.S. News & World Report</i> Ranks in Pediatrics: Pulmonary #10, Diabetes #37, GI #39, Orthopaedics #42, Cardiac & Heart #43, Neonatology #44	8 th most popular medical school	Independently chosen as the region's preferred providers



We are Leading, Teaching, and Caring...

UNC SCHOOL OF MEDICINE

8th most popular medical school

- 160 students per class, increasing to 180
- 86% North Carolina residents
- 3,252 physicians trained at UNC School of Medicine now practicing across North Carolina
- \$800 million research generated

UNC HOSPITALS

Hospitals in Chapel Hill, outpatient services across NC

- 778 licensed beds
- >6,100 co-workers
- >1,100 attending physicians
- 780 house staff (residents)
- 840,000 clinic visits
- 64,000 ER visits

UNC PHYSICIANS & ASSOCIATES

Faculty physician practice

- 1,000 primary and specialty care physicians
- 18 clinical departments
- >1,000,000 clinic visits

CHATHAM HOSPITAL
UNC HEALTH CARE

Critical access hospital

- UNC Health Care now owns this rural access hospital in Chatham County
- New 25-bed facility opened in July 2008

TRIANGLE PHYSICIAN NETWORK
UNC HEALTH CARE

Community-based physician groups

- Operating in Orange, Wake, Chatham, Durham, Lee, Granville, Person
- 97 physicians
- 21 practices
- Primary care and specialty

UNC HEALTH CARE REX

Raleigh, Cary, Apex, Knightdale, Garner, Wakefield

- 439 Acute Care Beds
- 227 Long-term Care Beds
- 4,800 co-workers
- 56,000 ER visits

UNC is growing across the State...

Additional School of Medicine campuses

- Partnership with Carolinas Healthcare System in Charlotte and Mission Health & Hospitals in Asheville
- Will grow class size from 160 to 180



UNC Hospitals – Hillsborough Campus

- Certificate of Need approved
- Initial design underway (site allows for 250 beds)
- 68 beds, 6 ORs, emergency room, radiology, and lab



Transforming the Rex Campus

- North Carolina Cancer Hospital at Rex
- Rejuvenating and expanding to meet the needs of 2030



Statewide Cancer Outreach Network

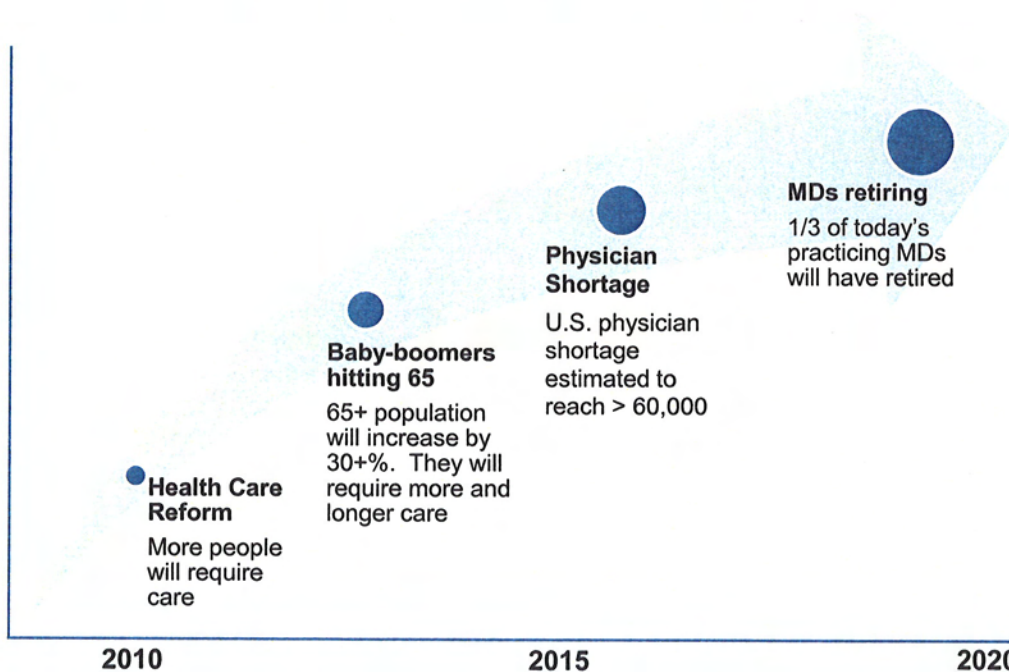
- Focus on research, education and building community programs



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Healthcare marketplace is changing rapidly

Physician need



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Topics for discussion

Introduction

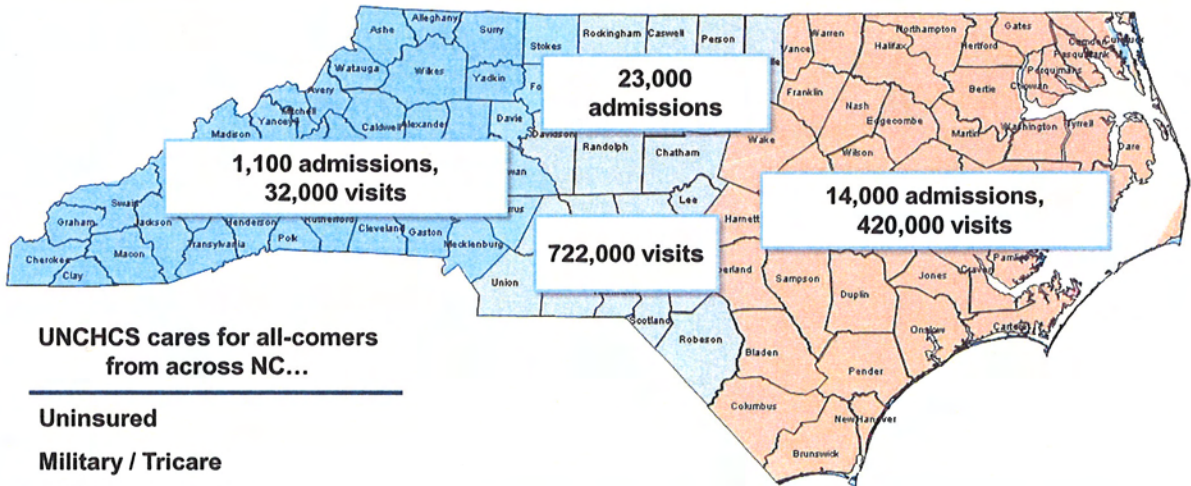
UNC Health Care Overview

UNC Collaboration with Pardee

Discussion



....but already serves all-comers from all 100 North Carolina Counties



UNCHCS cares for all-comers from across NC...

- Uninsured
- Military / Tricare
- Children
- Medicaid
- Inpatient psychiatry
- Inmates
- Reasonable charge structure
- Generous charity care

Uncompensated care \$320 million

Community Image, Accountability and Benefit

Shared commitment and history of community benefit



Pardee Hospital has a proud history of contributing to the health of the community through:

- Health and wellness programs
- Providing care to the underserved and underinsured
- Support of community activities and events
- Pardee's provides a significant community benefit

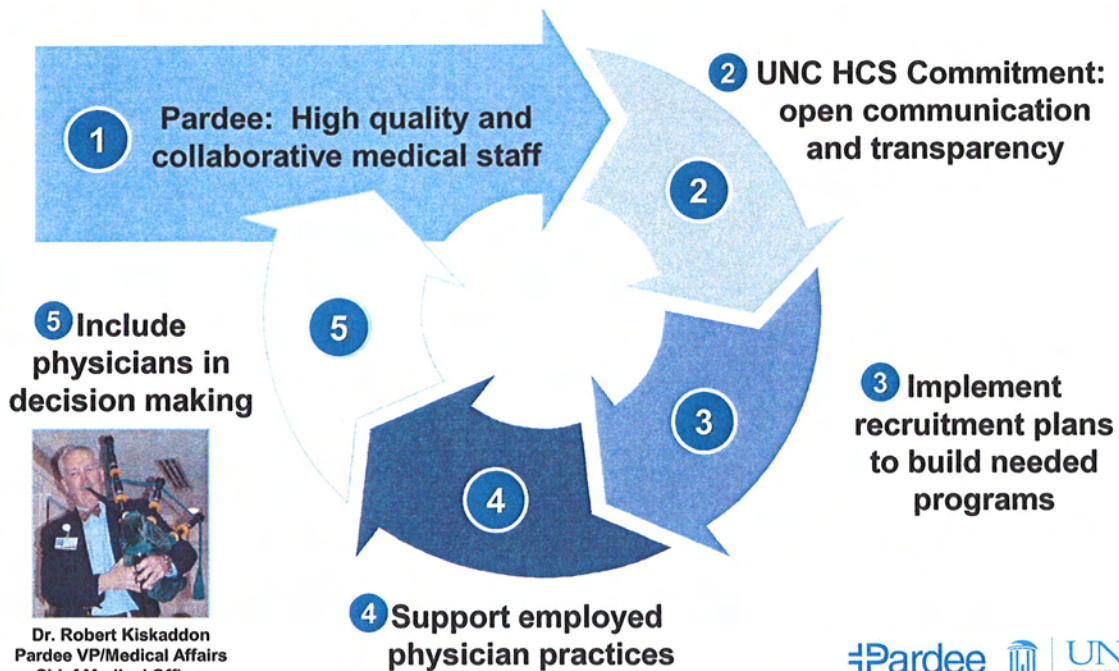


UNC Health Care also has a strong history of contributing to the health of the community:

- Philosophically, Pardee and the UNCHCS are aligned.....support to the community is more than the direct provision of health care services
- UNCHCS is committed to serving the citizens of Henderson County and the region

Physician Alignment: Collaboration and communication

UNC Health Care will work with the Medical Staff to position Pardee for Health Care Reform and the changing marketplace



Dr. Robert Kiskaddon
Pardee VP/Medical Affairs
Chief Medical Officer



Mission Pardee Health Campus

Vision and Strategic Project Goals

Project Vision

The vision for the Mission Pardee Health Campus is to create a **patient-centered** outpatient facility that offers **high quality, affordable** patient care in a location that is convenient and easily **accessible** and that prepares us to **meet community needs post-healthcare reform**.

Strategic Project Goals

- Patients
 - Improve accessibility
 - Improve quality
 - Provide a convenient, cost-effective means of outpatient healthcare in the south Buncombe County and north Henderson County regions
 - Serve the needs of patients by providing care close to home
- Pardee and Mission Systems
 - Establish a mutual, strategic foothold that serves both organizations' missions while allowing for the development of an ongoing partnership together
 - Respond to the needs of the community
 - Fulfill their missions in the south Buncombe County and north Henderson County region in a cost effective manner
 - Meet community need, build programs, and work collaboratively to achieve continued growth
- Physicians
 - Build alignment between the physician groups and hospitals
 - Build trust between the physician groups and hospitals
 - Reduce outmigration

20-A

Partnership with UNC will accelerate Pardee's progress toward its strategic goals

Pardee Strategic Goal	Description of Pardee's Strategic Goals
Physician alignment	• Collaborate with physicians and involve them in decision-making
Community image, accountability and benefit	• Continue building awareness and develop new programs in support of the community
Financial strength	• Strengthen financial capabilities, including modeling & planning
Human resources	• Recruit, retain and value all employees
Quality services	• Continually improve quality and safety
Operational excellence	• Excel in inpatient management and clinical support services
Technology and information	• Continually assess and improve facilities and IT
Clinical services	• Meet community needs; achieve national benchmarks

Mission Pardee Health Campus



20-C

Mission Pardee Health Campus – site location

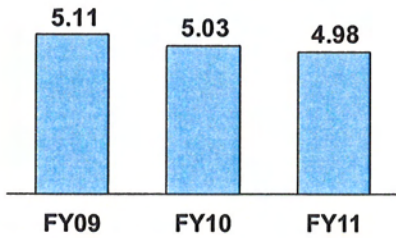


20-B

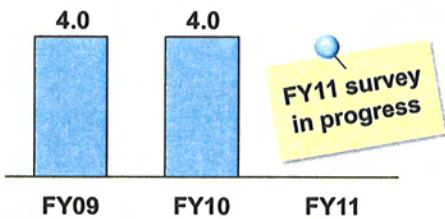
Operational Excellence: Align staffing resources to efficiently meet volume demand (productivity enhancement)

UNC productivity at a glance

FTEs Per Adjusted Occupied Bed



Employee Satisfaction



UNC productivity offerings

Near-term

- Assistance with development of departmental productivity RVUs and other statistics based on worked hours per unit of service
- Assistance with automating statistic calculations
- Improved accountability to defined performance measures
- Management exception reporting to focus on areas needing attention

Long-term

- Comprehensive labor management tools to manage staff to defined targets and goals
- Streamlined productivity report creation work process
- Improved staffing and recruitment decision tools
- Labor Productivity benchmarking opportunities to UNCH facilities and other groups

Financial Strength: Highlighted service offerings



Finance area



Overview and potential opportunities

Cost savings

Supply Chain

- UNC Health Care exclusive GPO contract



- Significant guaranteed savings with a UNC management contract

Decision Support Tools

- Consultation and implementation of a cost accounting system for decision support

- Improved decision-making ability available ~1 year post-agreement

Staff Productivity

- Based on our experience, an actively monitored productivity system should return an eventual 3-5% in salary savings

- Savings contingent upon additional analysis. Significant if results follow UNC experience

UNC tops local health care systems in HCAHPS measures

(Hospital Consumer Assessment of Healthcare Providers and Systems)

HCAHPS element	UNC	Rex	Duke	Durham Regional	WakeMed	NC Avg	Nat Avg
High overall hospital rating	1★ 81	2★ 75	74	58	74	69	67
Would definitely recommend hospital	1★ 85	2★ 84	80	69	75	71	69
Given home recovery information	1★ 88	2★ 87	88	77	85	83	82
Physicians communicate well with patients	1★ 82	1★ 82	80	78	79	83	80
Nurses communicate well with patients	1★ 80	2★ 77	77	70	76	79	76
Responsive hospital staff	1★ 65	2★ 64	54	55	64	67	64
Medication explained to patients	1★ 68	62	64	55	62	63	60
Pain was well-controlled	1★ 73	69	65	63	71	71	69
Rooms kept quiet at night	1★ 64	52	55	45	60	62	58
Rooms and bathrooms clean	1★ 72	2★ 64	56	59	62	70	71

Source: Triangle BizBlog, 5/10/2010

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UNC HCS can help Pardee achieve strategic Human Resources goals



Systems

- Lawson HR/Payroll
- Learning Management System (LMS)
- TALEO (applicant management)
- Employee Opinion Survey

Process

- Hiring for Excellence
- Case by Case Talent Acquisition/Search projects for difficult positions

Shared Resources

- Compensation surveys
- Special skills/knowledge training utilizing in-house experts
- Project Management
- Learning Opportunities

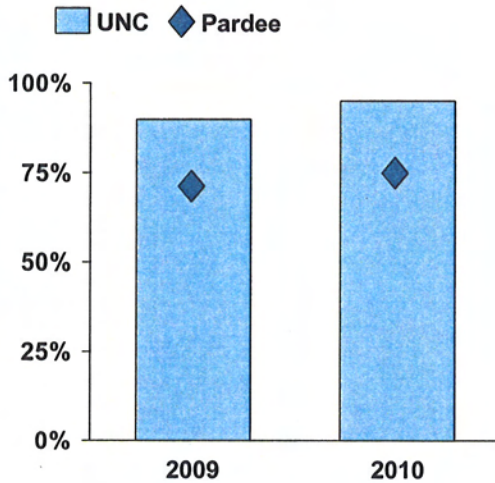


Pardee Goal: Recruit, retain, and value all employees

Quality: Support for continuous improvement

Current

Core Measures: Heart Failure Patients Given Discharge Instructions



UNC plan of action

Near-term

- Continued development of reporting mechanisms, prioritization and execution of quality improvement initiatives.
 - Example: Unit-level focus on mortality scores at UNC has resulted in drastic improvements to coding and documentation.
- Focused interventions to improve Core Measures including heart failure discharge instructions
 - UNC estimates that Pardee is currently scoring less than the maximum value-based purchasing (VBP) points available.

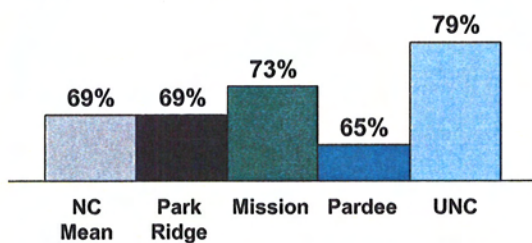
Long-term

- Support development of Safety Culture (as measured by AHRQ survey)
- Support of Just Culture implementation
- Performance improvement consultation

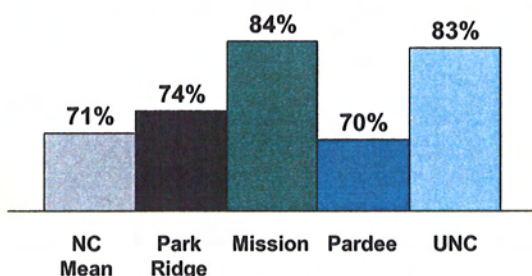
Quality: near-term HCAHPS opportunities – long-term financial impact

Current 2010 results

HCAHPS: % of Patients Rating Hospital 9 or 10



HCAHPS: % of Patients who would Definitely Recommend Hospital to Friends and Family



UNC plan of action

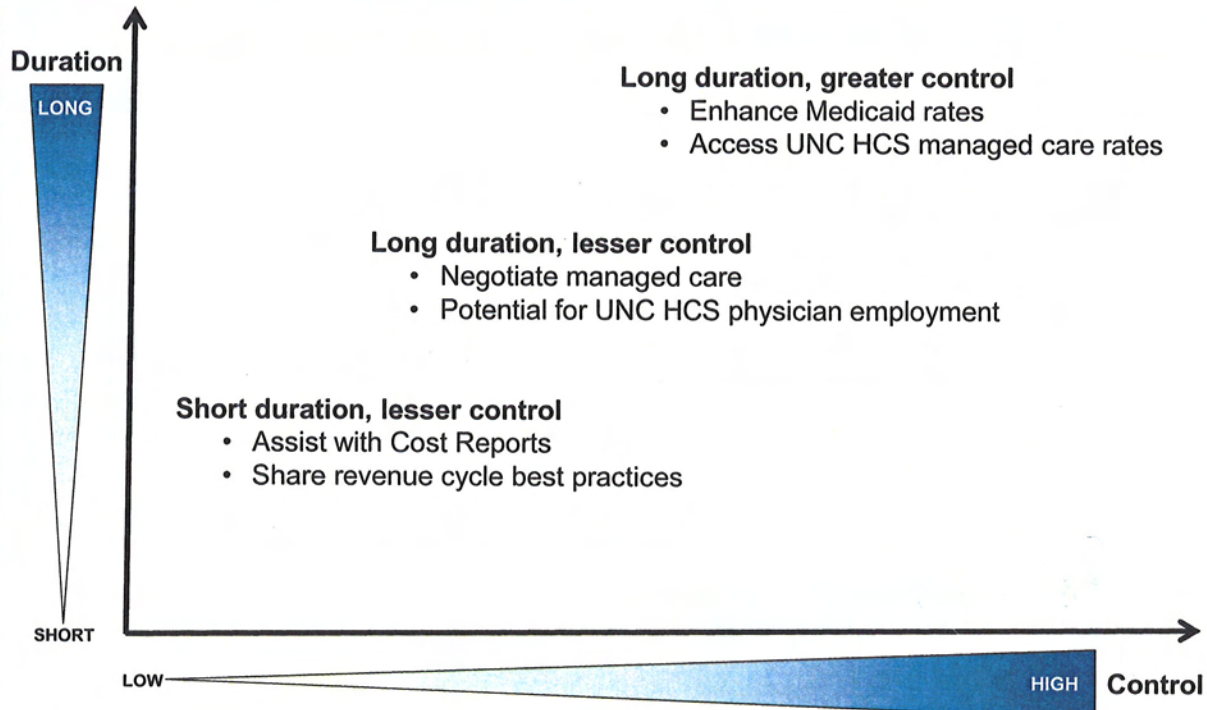
Near-term

- Consultation on patient satisfaction, including development of improvement plan for HCAHPS survey
 - UNC is a state and national leader in terms of Patient Satisfaction

Long-term

- HCAHPS improvements will result in reimbursement incentives as a result of the CMS value-based purchasing (VBP) initiative
 - UNC estimates a gap between Pardee's HCAHPS VBP score and the maximum opportunity, today

Revenue Opportunities: UNC HCS potential to add value correlated to strength of relationship



Information Technology: UNC can assist with contracts, product selection, implementation and price savings



Current trajectory

Infrastructure

- Sophisticated capabilities, especially given relative size
- Modest purchasing power but some very good contracts nonetheless

Applications

- Good suite of products, much UNC overlap
- Generally current releases
- Some gaps, Decision Support most urgent

Meaningful Use

- Well positioned for Stage I
 - Certified release
 - Good action plan
- Stage II more challenging
 - Adoption of CPOE
 - Quality measurement & reporting



Partnership opportunities

- Access to UNC HCS contracts offers
 - Accelerated implementation cycle
 - Cost savings

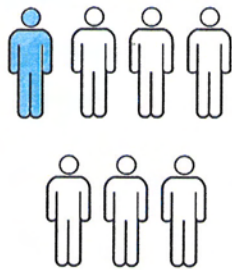
- Identified cost savings opportunities
 - Software site licenses
 - PCs and servers
 - Voice over IP (VoIP)
 - Others not yet quantified

- Decision support system acquisition and implementation
- Planning for Meaningful Use operational requirements
- Migrate to more robust back office and financial reporting if desired

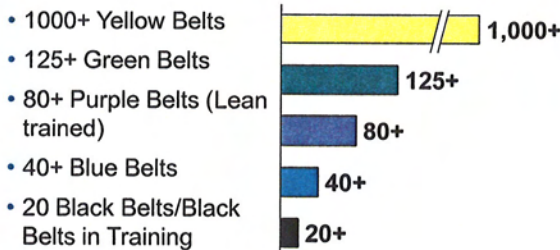
Operational Efficiency: UNC HCS Lean Six Sigma initiative

Building systems thinking capabilities and empowering employees through project work

1/7 employees trained in Lean Six Sigma



UNC HCS training breakdown:



UNC plan of action

Near-term

- Support improvement culture
 - At UNC, everyone has two jobs when they come to work: (i) to do their work and (ii) to improve it
 - UNC HCS has completed scores of impactful projects ranging from reducing LOS for liver transplant patients to improving patient flow through our infusion clinic

Long-term

- Develop/grow Lean Six Sigma capabilities within Pardee through training and project support



Quality: Nationally recognized excellence in nursing care

Current



- Only 6% of US hospitals earn Magnet recognition
- Magnet Commissioners identified 3 exemplars of excellence during site visit

UNC plan of action

Near-term

- Consultation on magnet preparation process
 - UNC Magnet application required 1400 pages of written documentation
- Provide insight into Carolina Care™ initiative
 - UNC Nursing currently ranks in the 84th percentile for patient satisfaction with nursing care according to Press Ganey survey results

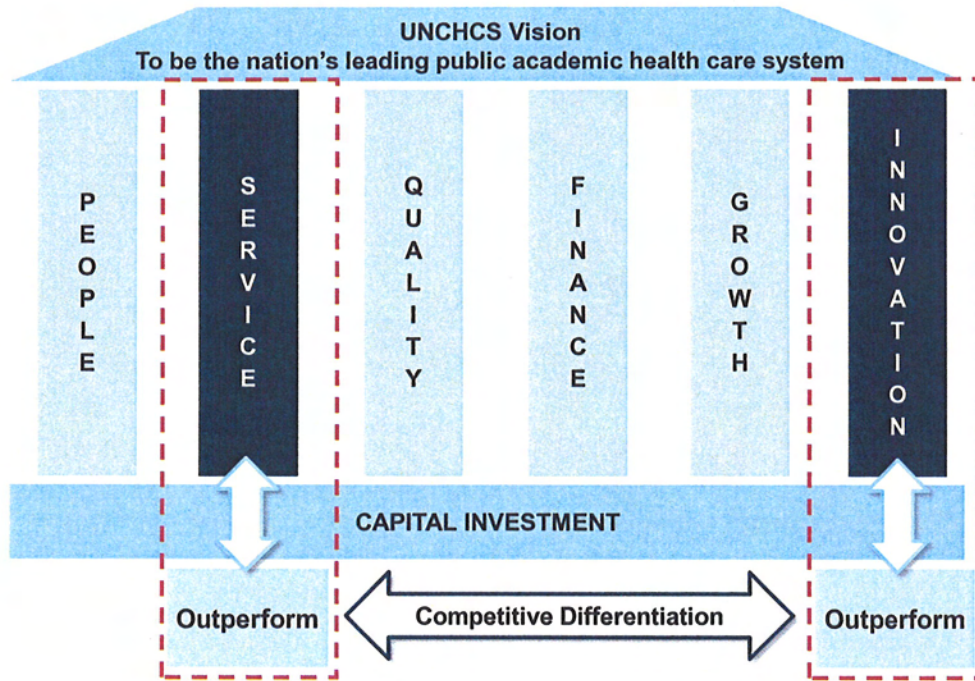
Long-term

- A continued focus on nursing care has not only improved patient satisfaction, but patient outcomes, as well
- Nursing excellence is a recruitment tool



What UNC HCS decided: Success depends on all pillars, we focus on Service & Innovation

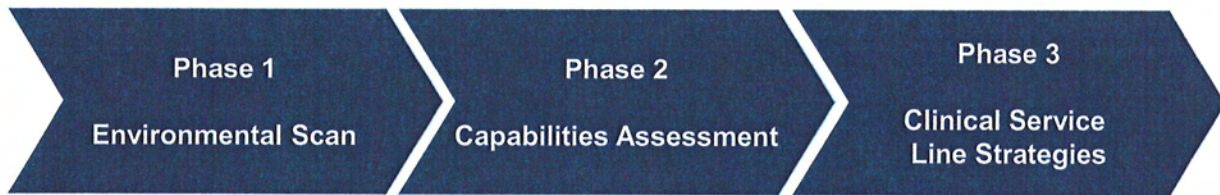
UNC HEALTH CARE SYSTEM



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Strategic Planning: UNC HCS can help guide efforts

UNC HEALTH CARE SYSTEM



Clinical Services (example 1): Comprehensive Cancer Care



Strategic focus on Comprehensive Cancer Services

- Increase access, improve efficiency, implement navigator and cancer liaison program

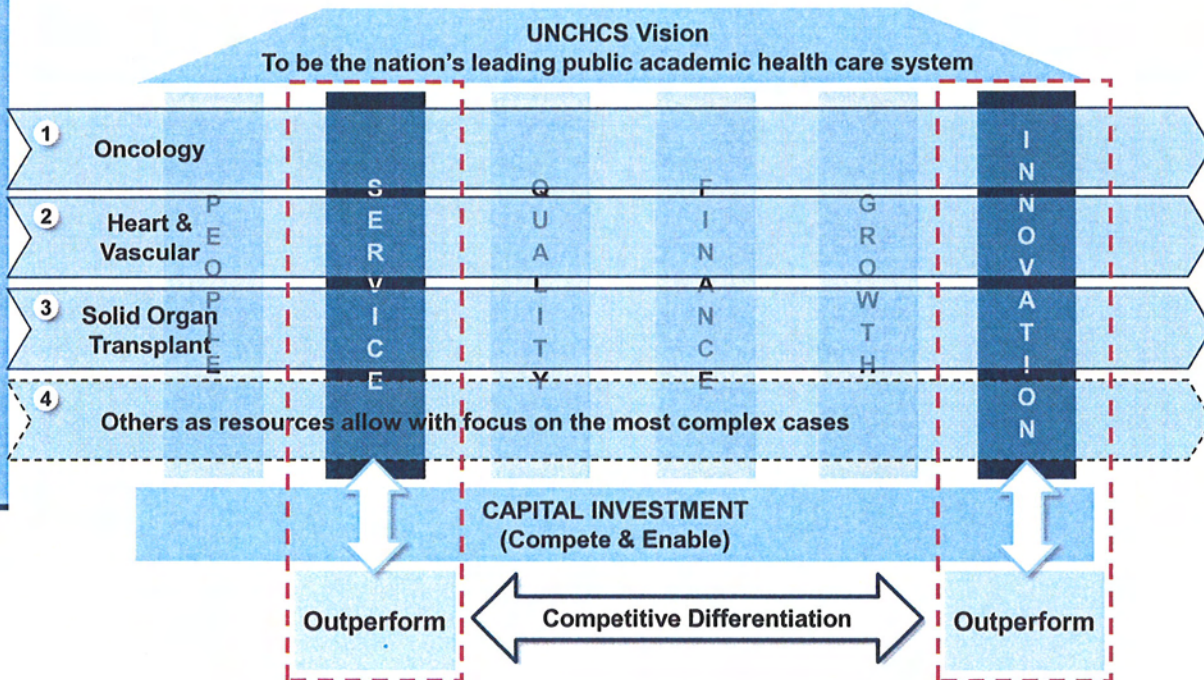


UNC Lineberger Comprehensive Cancer Center & NC Cancer Hospital

- **Discovery:** Better understanding the causes and course of cancer
- **Innovation:** Using new knowledge to create new and better ways to prevent, find, and treat cancer
- **Delivery:** Improving cancer care, screening, and prevention across the state



What we decided: And we prioritize three key segments



Clinical Services (example 3): Positive Aging Program



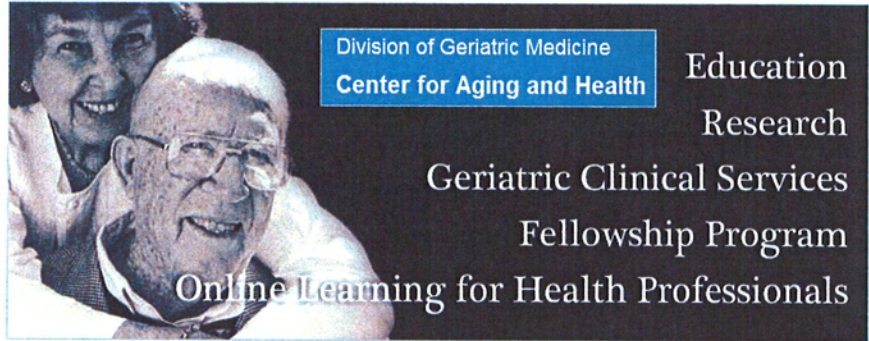
Pardee is focusing efforts to enhance their Positive Aging Program

- Expand breadth and depth of program offerings including improving care outside of the hospital



UNC Center for Aging & Health

- Provides a valuable resource to help Pardee and the Henderson community expand this program



Clinical Services (example 2): Spine & Orthopaedic Care



Focused on enhancing Orthopedics & Spine Care

- Enhance programs & create market differentiation by achieving Blue Distinction (a Blue Cross designation)



UNC also strategically focused on enhancing Spine Care

- UNC Spine, Hip and Knee surgery recognized by Blue Cross as Centers of Distinction
- Newly opened Spine Center and multidisciplinary model of care



* "Blue Cross and Blue Shield of North Carolina (BCBSNC) is continuing to focus on improving health care quality by recognizing select North Carolina hospitals for excellence in spinal surgery, knee replacements, and hip replacements. The program will help BCBSNC members choose facilities that meet high standards for these common procedures."

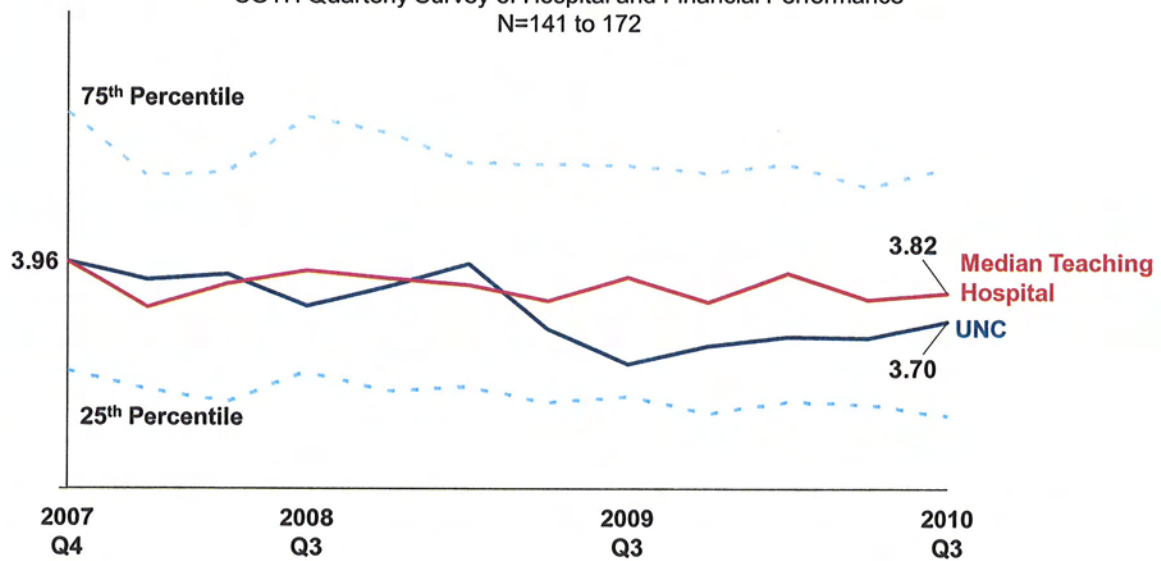
These ten Blue Distinction Centers for Spine SurgerySM and 16 Blue Distinction Centers for Knee and Hip ReplacementSM are part of an expansion of the Blue Cross and Blue Shield Association's Blue Distinction[®] program."

Finance: Council of Teaching Hospitals and Health Systems (COTH) Benchmarks

UNC HEALTH CARE SYSTEM

Case mix index adjusted FTEs per adjusted occupied bed

COTH Quarterly Survey of Hospital and Financial Performance
N=141 to 172

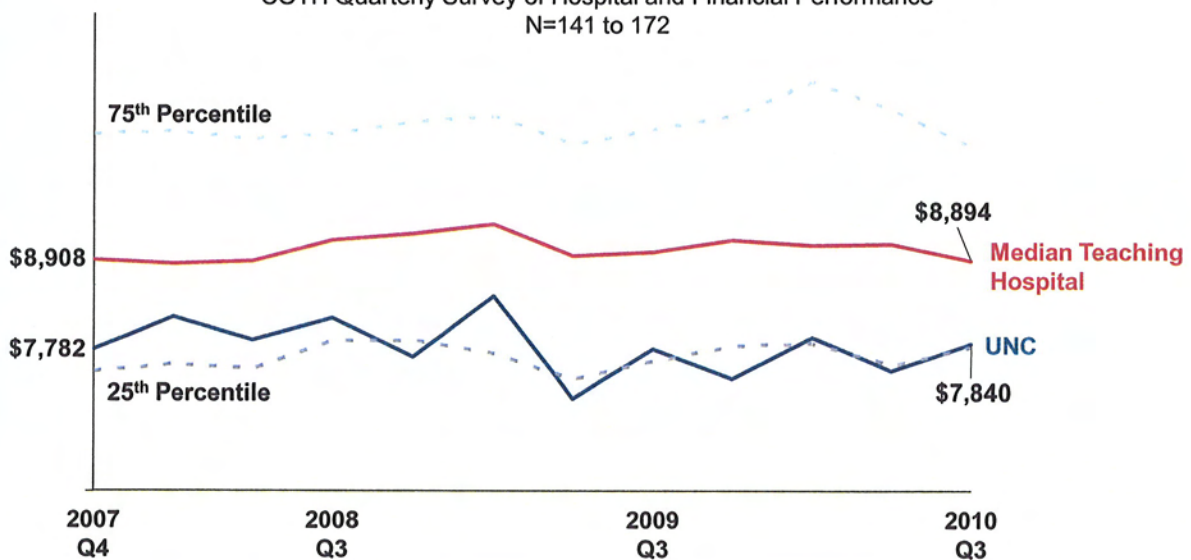


Finance: Council of Teaching Hospitals and Health Systems (COTH) Benchmarks

UNC HEALTH CARE SYSTEM

Case mix index adjusted expense per adjusted discharge

COTH Quarterly Survey of Hospital and Financial Performance
N=141 to 172



Conclusion

UNC Health Care has learned a significant amount about health care in Henderson County, and we...

- Value the cooperation and expertise of the County Commissioners, Pardee Board, hospital and medical staff
- Appreciate the opportunity to partner with Pardee Hospital
- Want to join you in developing an even better healthcare system for the citizens of Henderson County and the region



Finance: Council of Teaching Hospitals and Health Systems (COTH) Benchmarks

